



A subsidiary of Pinnacle West Capital Corporation



Donald G. Robinson
Vice President, Planning

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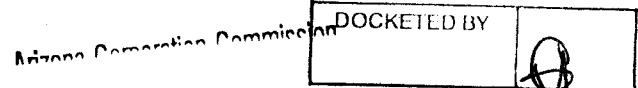
Arizona Corporation Commission

DOCKETED

SEP 08 2006

September 8, 2006

Commissioner Kristin K. Mayes
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, AZ 85007



Re: Letter Dated August 28, 2006 regarding Renewable Energy Advertising by Arizona Public Service Company, Docket No. E-01345A-05-0816

Dear Commissioner Mayes:

I am responding to your August 28, 2006 letter to Jack Davis regarding our programs to promote conservation and renewable energy. Thank you for your interest and your recognition of our efforts to date. We appreciate the opportunity to share with you our ongoing coordinated plans for these initiatives.

Let me preface my remarks by saying that advertising, while effective in raising general public awareness of our programs, works best when it complements a multi-layered communications and marketing campaign. Such a combined approach maximizes the effectiveness of each aspect of the program and is more likely to influence customers in making better energy choices.

First, let me explain the status of our program for 2006. As you are aware, demand for our Credit Purchase Program has been significantly higher than expected. As of August 28, 2006, Arizona Public Service (APS) had \$1,432,000 remaining for reservations. Our initial funding of \$4,250,000 was completely reserved by March 10. As you point out in your letter, at Commission direction, we added another \$4,250,000 to the program in April. Customer interest continues to be strong, and at the current pace of reservations we are confident that all \$8.5 million will be committed before the end of the year.

As you noted in your letter, we have placed a strong emphasis on promoting conservation programs with our customers beginning this past April. Our comprehensive and multi-layered approach mentioned above includes outreach to the media, our customers and the public agencies that interact with our customers. So far, the impact of these initiatives – encompassing the very effective compact fluorescent lighting program and our E-3 promotion with low income customers among others – has been substantial. We, of course, will continue to promote these programs through messaging in our bills and newsletters to customers and on our website, news releases, paid advertising and community events.

What you should also know is that as the weather shifts, so will the focal point of our promotional activities. Conservation will be emphasized more in the high country with the onset of fall and winter and our renewable campaign will swing into full gear very soon and continue through the end of the year and beyond, when it steps up yet again. The renewable promotions will focus on our Credit Purchase Program and take the same multi-layered approach as our conservation initiatives, including as appropriate, bill messaging, newsletters, billboards and other paid advertising, news releases, web site communications and community events. This coordinated effort involves many departments throughout our company along with outside agencies (as detailed later in this letter) working together to achieve these important objectives. I have attached a list of some of the many initiatives we will be undertaking through the end of the year. We have also recently developed a concept advertisement for the program which may be used in some of our placements. A copy of the design is attached to this letter.

You also should know that we recently changed the name of the Credit Purchase Program to the Solar Partners Incentive Program. We believe the Solar Partners name will be more easily understood and recognized by our customers. Our website has been recently modified to reflect the new name.

September 8, 2006

In addition, we are promoting the Solar Partners Incentive Program at select Arizona events this year. APS has reserved space at the Ninth Annual Green Building Expo to be held October 6 and 7 at the Scottsdale Center for the Performing Arts and the Third Annual Arizona Facilities Management Show on November 15 and 16 at the Arizona Cardinal Stadium in Glendale. These events attract commercial customers who have longer planning cycles, and our presence may prompt them to begin planning for next year. APS is developing a booth and collateral material specific to the program for use at these and subsequent events.

APS is aware of the challenge that lies before us with the aggressive new goals to be established by the Renewable Energy Standard (RES). We are actively preparing for that challenge and, as I mentioned earlier, plan to kick off an even more aggressive customer awareness campaign in early-2007. Below I describe some of our additional efforts.

- Developing a comprehensive marketing and communications plan for the program.
 - *We have interviewed three firms and are currently awaiting formal proposals. We expect to select a firm by the end of September and anticipate having a complete marketing plan prepared by the end of 2006. It will be comprehensive and include primary messages, identification of target customers and key stakeholders, along with specific tactics and strategies. These tactics will include paid and earned media, event participation, and seminars as well as advertising.*
- Joining with Salt River Project, Tucson Electric Power and the Arizona Cooperatives in exploring the possibility of jointly marketing our respective customer renewable energy programs.
 - *The participants have selected a baseline market awareness study for the initial effort. The study will be designed to measure current customer awareness of the programs as well as interest and willingness to install renewable energy systems. The study will assist in developing plans to grow participation. APS solicited proposal from three firms for this study and is currently working with the other utilities to finalize selection. The study will be completed this year. Future joint efforts under consideration are joint collateral and/or advertising.*

We understand that program promotion is important in order to educate and attract the appropriate level of customer participation. We also are mindful of the fact that promotional expenses are being paid for directly by our customers through the EPS surcharge. We are focused on managing an effective and economically responsible campaign to achieve our collective goals.

Please contact me if you have any questions.

Sincerely,



Donald G. Robinson
Vice President, Planning

cc: Chairman Jeff Hatch-Miller
Commissioner William A. Mundell
Commissioner Mike Gleason
Commissioner Barry Wong
Brian McNeil
Heather Murphy
Docket Control

**Solar Partners Incentive Program
Promotion Schedule
September – December 2006**

Patterned after APS' Energy Conservation model and using a multi-media approach, APS anticipates the following promotional activities focused on the Solar Partners Incentive Program:

1. Issue a series of news releases to raise awareness among APS customers about residential and business solar options (photovoltaic and solar water heating systems). Issue date: September 12.

2. Continue to support and promote renewable energy at community events such as the:

A. October 6 and 7: Ninth Annual Green Building Expo: target audience: residential and non-residential.

B. November 15 and 16: Third Annual Arizona Facilities Management Show: target audience: commercial, non-residential

APS involvement includes sponsorships, presentations, dissemination of renewable energy information and renewable energy displays, one-to-one discussions.

3. Insert Solar Partners Incentive Program messages in APS bill/newsletters, October/November 2006.

4. Run a series of paid advertisements, inviting customers to consider solar options. The purpose of the ads will be to help raise awareness of energy options and lead the consumer to the APS web site for more information about APS' renewable energy.

Ad Schedule

"Consider the Renewable Energy Option"

Medium	Frequency of Ad Runs	Publication Dates
The Arizona Republic	3 col. x 11 inches, Blk & White, 1x3	September 20, October 11, November 15 (Wednesdays)
West Valley View	8x 10 ½, Blk & White, 1x3	September 26, October 17, November 13 (Tuesdays)
East Valley Tribune	3 col. x 5.72 inches, Blk & White, 1x3	September 25, October 23, November 20 (Mondays)

5. Other communication as appropriate and available including, but not limited, to billboards, event marketing, and internet banners.



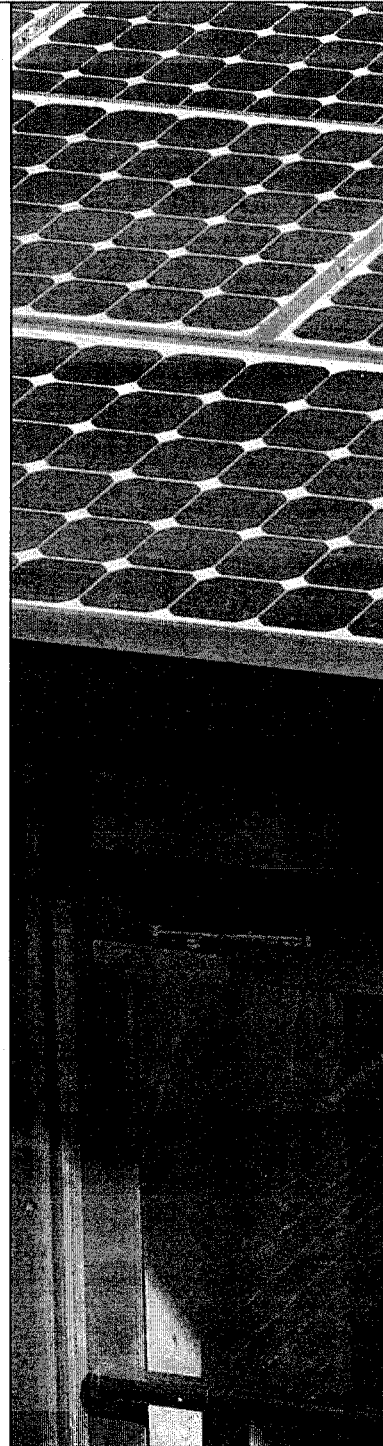
TAKE A SHINE TO SOLAR POSSIBILITIES

With 300 sunny days each year, it's no wonder more APS customers are taking a shine to the possibilities of solar energy.

These possibilities include individual rooftop solar systems which take advantage of Arizona's abundant sunshine and provide clean, renewable energy. Or state-of-the-art solar water heaters which use the sun's rays to lessen your home's reliance on gas and electricity.

And now, through APS' Solar Partners Incentive Program, such solar possibilities not only make environmental sense, but make better financial sense as well. The APS Solar Partners program provides financial incentives to APS customers who install solar hot water heaters or a solar system on their home or business. To apply for funding or to learn more about solar possibilities for APS customers, visit us online at aps.com today, and click on the Solar and Renewable Energy link or call (602) 250-2826.

Must be in APS territory to be eligible. Funding is limited, additional funds will become available in 2007. Other government tax credits may also be available. This program was approved by the Arizona Corporation Commission and is funded by APS customers.



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